London
Stock Exchange

Introduction to London Stock Exchange Capital Markets

London
Stock Exchange Group

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Overview

LSEG ranked top global IPO exchange

£17.3bn raised for 120 IPOs

World's most international exchange

43% of listed international companies are listed on LSEG

AIM: world's most successful SMEs market

Largest Tech IPO of 2015

£2.5bn+ raised by Worldpay

2015 Tech IPO performance

26.2% weighted average increase compared to -2% on NASDAQ

FTSE All-Share Tech has outperformed S&P InfoTech since January 2015

UK small caps outperform US small caps

11% vs -20%

Raising capital

London Stock Exchange is home to over 2,200 companies and offers a choice of four markets: the Main Market, the Professional Securities Market (PSM), the Specialist Fund Market and AIM, reflecting our responsiveness to the differing needs of companies from around the world, and across all sectors.

Benefits for issuers

- Fundraising opportunities on a wide choice of public markets to suit issuers of different sizes and development status
- Cost-efficient access to a deep liquidity pool featuring the most international and diverse investor base
- Increased visibility and profile alongside an international peer group
- A pragmatic approach of principle-based regulation and the highest standards of corporate governance
- High-quality services by a strong community of experienced and sophisticated financial professionals.

Capital raisings by our issuers

Main Market

The Main Market is our flagship market for larger, more established companies.

London Stock Exchange is home to some of the world's largest and most dynamic global companies. Underpinned by London's balanced and globally-respected standards of regulation and corporate governance, the Main Market represents a badge of quality for every company admitted and traded on it, and an aspiration for many companies worldwide. There are different routes to market catering for a range of businesses and securities:

Premium
Corporations in the Premium segment are constituents of the Financial Conduct Authority's Official List and are subject to the highest standards of regulation and governance.

Standard
Open to shares, depositary receipts and debt securities, the Standard segment is subject to EU minimum standards and is also part of the Official List.

High Growth Segment
This segment has been specifically designed for equity securities of high-growth, revenue-generating businesses that are over time seeking to become Premium listed companies.

Joining the Main Market

- UK Listing Authority (UKLA), a division of the Financial Conduct Authority to approve the prospectuses and admission of companies to the Official List
- London Stock Exchange to admit companies to trading on the Main Market.

Graph key

FO IPO FTSE 100 Index

AIM

AIM is regarded by advisers, investors and companies as the most successful growth market in the world, having helped thousands of ambitious companies raise the capital they need to fund their growth and development. With the support of a dedicated community of advisers, AIM has grown from ten UK companies in six sectors to over 1,000 companies worth over £72 billion operating in more than 95 jurisdictions across 45 sectors.

Preparing to join AIM

Once you have decided that being a public company on AIM is the right option for your company's future growth, you should consider the following points:

Business strategy

As a prospective AIM company you should have a clear vision and well-thought-out business plan showing how you will deliver growth and shareholder value.

Appropriate board structure

Company directors must be appropriate and capable of acting on a board of an AIM company. They will be responsible for ensuring your company's compliance with the AIM Rules at admission and on a continuing basis. Your company's board must consist of executive directors, managers of the business and non-executive directors serving as representatives of all shareholders. Non-executive directors can be an invaluable resource providing your company with a wealth of industry and financial markets experience and contacts.

Corporate structure

Your business will need to have an appropriate legal structure in place, allowing external investors to buy a share of the business. The structure of a sole trader or a partnership is not suitable for a public market.

Appoint a Nomad and other key advisers

The Nomad will be the main adviser to your company during the admission process and thereafter. Other advisers also perform critical roles in the admission process and in supporting your company. They include a broker, a reporting accountant, legal advisers, public relations and investor relations firms.

Communicating with investors

Becoming a quoted company will involve changes in the way your company is run. Outside shareholders will receive a stake in your business in return for the capital they provide and will expect the business to be run for the benefit of all shareholders. Clear communication with investors will create an awareness and understanding of your company and help your company gain access to capital, increase liquidity in the company's shares and achieve a fair valuation.

At a glance	
Number of AIM companies	1,013
International AIM companies (by country of incorporation)	184
Aggregate market value	£72 billion
Total number of admissions since launch — UK — International	3,680 3,027 653
Total capital raised since launch — New — Further	£97 billion £41 billion £56 billion
Transfers to Main Market	124
Number of admissions in 2016 H1	41
Total capital raised in 2016 H1 — New — Further	£1.9 billion £0.7 billion £1.2 billion
Number of Nomads	36
Value traded in 2016 H1	£14 billion
Number of bargains in 2016 H1	2,751,952
Number of Market Makers – June	48

Source: London Stock Exchange statistics – August 2016

ELITE Connect

Your connection to investment opportunities

In a world where new technologies are having a direct impact on the way people interact and communicate across the globe, London Stock Exchange Group is offering a highly innovative solution that allows you to evolve with this rapidly changing environment.

ELITE Connect is a platform dedicated to investor relations and corporate access businesses bringing together public companies, institutional investors and intermediaries to facilitate and expand interaction and increase productivity.

ELITE Connect provides a unique suite of user-friendly technology services to support and enhance your day-to-day investor relations and corporate access activity by providing an exclusive community and the ability to:

— be visible to investors, public companies and intermediaries exclusively

— have a dedicated profile page

— target new investors

— create meeting opportunities

— share presentations, documents and updates

— meet digitally using a dedicated video conferencing tool

— broadcast and attend live webcast to a large audience

— keep track of meetings that took place on the platform through an embedded client relationship management tool.

A **professional network** to connect people, follow companies of interest, send messages and request meetings

A **calendar**, fully embedded on the platform, to coordinate availability and schedule meetings with other users

A **digital meeting** room, featuring high-quality and easy-to-use video, with document-sharing and note-taking facilities

A unique view of your personal **communication and meeting history** with people and companies

A **personalised quality content stream**, populated by companies, investors and trusted sources

Company and **investor search** with advanced filters on interests, size, location and industry.

ELITE Connect provides a unique suite of user-friendly technology services to support and enhance your day-to-day investor relations and corporate access activity...

Trading equities

£4.6bn
Daily average value traded in equity securities[1]

$293m
Daily average turnover on IOB[2]

Equity securities by trading service

926
SETS

920
SETSqx

425
SEAQ

160
IOB

London Stock Exchange trading services are designed to maximise liquidity for all participants, including about 353 members, eight of which are from Greater China. Four key trading services are available.

SETS

SETS is London Stock Exchange's flagship electronic order book, trading FTSE 100, FTSE 250, FTSE Small Cap index constituents, Exchange Traded Funds and Exchange Traded Products as well as liquid AIM, Irish and London Standard Listed securities.

SETSqx

SETSqx (Stock Exchange Electronic Trading Service – quotes and crosses) is a trading service specifically designed for securities less liquid than those traded on SETS. SETSqx combines a periodic electronic auction book with standalone non-electronic quote-driven market making providing guaranteed liquidity in at least one Exchange Market Size (EMS) throughout the trading day.

SEAQ

London Stock Exchange's non-electronically executable quotation service that allows Market Makers to provide firm quotes in AIM securities that are not traded on SETS or SETSqx. It is not available for new securities.

International Order Book

The International Order Book (IOB) offers cost-efficient, secure and transparent access to invest in some of the world's fastest-growing markets through the similar underlying technology infrastructure found on SETS.

IOB issuers by country as of incorporation as of end of April 2016

30	Russia	9	Cyprus
21	India	5	Greece
19	Taiwan	4	Turkey
11	South Korea	51	Other
10	Egypt		

Top 15 most traded stocks on London Stock Exchange January to May 2016

Rank	Issue date	Total (January – May 2016)	ADVT
1	HSBC HLDGS PLC	£13,583.5m	£131.9m
2	ROYAL DUTCH SHELL PLC	£13,230.4m	£128.5m
3	ROYAL DUTCH SHELL PLC	£13,030.0m	£126.5m
4	BP PLC	£12,885.8m	£125.1m
5	RIO TINTO PLC	£10,992.3m	£106.7m
6	GLAXOSMITHKLINE PLC	£10,537.7m	£102.3m
7	VODAFONE GROUP PLC	£10,324.6m	£100.2m
8	ASTRAZENECA PLC	£10,262.5m	£99.6m
9	BHP BILLITON PLC	£10,047.4m	£97.5m
10	BRITISH AMERICAN TOBACCO PLC	£9,440.3m	£91.7m
11	SABMILLER PLC	£8,028.0m	£77.9m
12	LLOYDS BANKING GROUP PLC	£7,841.7m	£76.1m
13	SHIRE PLC	£7,716.9m	£74.9m
14	BARCLAYS PLC	£6,939.8m	£67.4m
15	GLENCORE PLC	£6,923.4m	£67.2m

[1] January to September 2016
[2] January to September 2016, on book and off book trade reporting combined.

SETS intra-day auction

12:00
daily auction for equity securities

Daily 12:00pm auction for equity securities on SETS Order Book was launched on 21 March 2016. The new intra-day auction is a midday price-forming auction mechanism for trading larger sized orders.

Participants will benefit from:

— Opportunity to take part in a price-forming liquidity event, timed to coincide with the traditional low point in daily volatility, and exempt from the MiFID II double volume caps in dark trading

— Only Level 1, top of book data, visible during auction, limiting market impact of larger sized block orders

— Provision of mid-day price formation for products and portfolio benchmarking, removing the need to use last or mid-price.

Midday price-forming auction mechanism for trading larger sized orders.

How it works

The intra-day auction will occur each London business day at

12:00 noon*

2-minute

call period followed by a random **30-second uncrossing**

At the transition to this auction call phase an order book clear message is generated, removing the breakdown of the depth of the orders on the book (Level 2 price and quantity information). Whilst they can not be individually seen, any orders valid for an auction phase continue to remain active.

During the auction call phase, random period and any subsequent price monitoring or market orders extensions, only Level 1 data (including indicative uncrossing price and trade size) will be published.

After any remaining unexecuted orders with an auction time in force are expired or parked as stipulated, the full Level 2 depth of the book is re-disseminated and the regular trading session resumes.

The EDSP auction is unchanged and continues to operate at 10:10, as a full-depth Level 2 auction, on the relevant Fridays.

All other auctions (Open, Closing, AESP) also continue to operate as full-depth Level 2 auctions.

*other than the two half-trading days at Christmas / New Year

FTSE 100 Weekly Options

15
calendar day maturity

1st
short-dated options on a UK-based underlying, listed on a UK exchange

Weekly options on the FTSE 100 Index listed on LSEDM are the first short-dated options on a UK-based underlying, listed on a UK exchange.

They will expand the LSEDM product range on UK underlying that already includes:

— FTSE 100 Index Options
— FTSE 100 Index Futures
— UK Single Stock Options
— UK Single Stock Futures
— FTSE Superliquid Futures.

As with all other derivatives products offered by LSE, weekly options are cleared by LCH and will benefit from the margin offsets against corresponding futures and options positions traded on LSEDM.

Key features

Although weekly options can be considered just as options with very short-term maturities, the fact that they are made available on a weekly basis allows investors to take advantage of some specific characteristics that differentiate them from the standard monthly maturity cycle. The benefits of weekly options are more pronounced when traded along contracts covering the mid and long-term maturities as they allow investors to take positions with more precision.

Low premium
Weekly options have a shorter maturity than monthly options and therefore the time value component of their price is relatively small. This makes them a useful tool to implement short-term hedging strategies or take advantage of specific macro events with a comparably low outlay of premium.

Trading
Weekly options allow users to hedge their short-term risk and take advantage of market opportunities with precision. Because of their high gamma, the price of the short-dated option will respond more than the price of a long-dated option to a change in the underlying.

Time decay
The time component of the options has up to 15 days to maturity and time value decays sharply approaching expiry. This creates the opportunity to take advantage of specific option strategies several times in a calendar month adapting one's views and expectation in a more precise way.

Strategies
The interplay between short-dated and longer-dated options may be of interest to users of calendar spreads. The fast time decay of weekly options can be used to take short positions and the premium received used to offset the cost of taking long positions in longer maturities or to repair outright positions that are not performing according to plan.

Expiry cycle

Date	Week 1 contract	Week 2 contract	Monthly contract	Week 4 contract	Week 5 contract
First week of the month	✓	✓	✓		
Second week of the month		✓	✓		
Third week of the month			✓	✓	
Fourth week of the month			✓ (M+1)	✓	✓
Fifth week of the month (if relevant)	✓ (M+1)		✓ (M+1)		✓

Exchange Traded Funds

~45%

of European ETF trading turnover on London Stock Exchange

ETFs on London Stock Exchange

Since the first ETF listing in 2000, London Stock Exchange has become home to nearly 900 ETFs with an additional 450 multi-currency lines from 24 issuers, the largest and most diverse product range in Europe.

- London Stock Exchange ETF trading is currently the largest in Europe with around 45% of market share in trading turnover
- There are 21 registered Market Makers and over 150 other member firms actively trading ETFs and providing liquidity throughout the trading day
- Currency lines available for trading in GBP, EUR, USD, CNY, HKD and CHF.

Key milestones in the first decade

April 2000
First ETF on London Stock Exchange

February 2001
Introduction of central counterparty clearing

January 2002
Introduction of dedicated ETF trading segment

September 2004
ETF range expands to include products tracking Chinese, Japanese and European small and mid cap companies.

September 2006
The Exchange launches the world's first multi-currency trading service for ETFs, giving investors the choice to trade products in USD, EUR and GBP.

April 2010
London Stock Exchange celebrates ten years of ETF trading

January 2014
First China RQFII ETF

November 2015
First India fixed income ETF

January 2016
First Israel ETF.

Latest award

London Stock Exchange Group voted the "Most Proactive ETF Exchange – Europe" and "Largest Exchange for ETFs – Europe" by turnover at the 12th Annual Global ETF awards in New York 2016.

~900

ETFs on London Stock Exchange since 2000

Fixed income

2,570

international fixed income issuers on London Stock Exchange

Global home for fixed income capital raising

London Stock Exchange is the global financing hub for fixed income issuers with 2,570 international issuers from 59 countries denominated in 39 currencies. With highly liquid and transparent electronic fixed income order books that allow for both primary and secondary access and trading to international investors, London is a key venue for Islamic Finance, dim sum bonds, masala bonds and green bonds.

Green bonds in focus

London Stock Exchange Group (LSEG) is a partner exchange of the United Nations Sustainable Stock Exchanges (SSE) initiative and an Observer to the Green Bond Principles (GBP).

London Stock Exchange's innovative green finance offering is focussed on two key areas: fixed income products and information services/indices through its FTSE Russell business.

In June 2015, LSEG launched dedicated green bond segments across its fixed income markets. No other global exchange has such a comprehensive offering for green bonds with a flexible range of market models, open to retail and wholesale investors. In June 2016, FTSE Russell launched its ground-breaking green revenues model which is the first-ever data model which helps to track the global transition to a low-carbon economy by providing investors with detailed data which measures the green revenues of over 13,000 globally listed companies.

There are now 37 green bonds issued by international institutions, municipalities and corporates raising nearly $9.3 billion equivalent in seven different currencies.

The bonds on the green segments require a second opinion certification and LSEG has outlined guidance on a set of criteria for the certification entity to meet. Ongoing targeted disclosures will also enable investors to make their own assessments about risks that such investments entail which will be a notable development.

London Stock Exchange green bond milestones

December 2009
First green bond listed by World Bank on London Stock Exchange's markets

May 2014
London Stock Exchange Group joins UN's Sustainable Stock Exchanges (SSE) initiative

June 2014
International Finance Corporation (IFC) issues the first Renminbi-denominated green bond, raising RMB 500 million. This was the first green bond issued by a multilateral institution in the offshore Chinese markets.

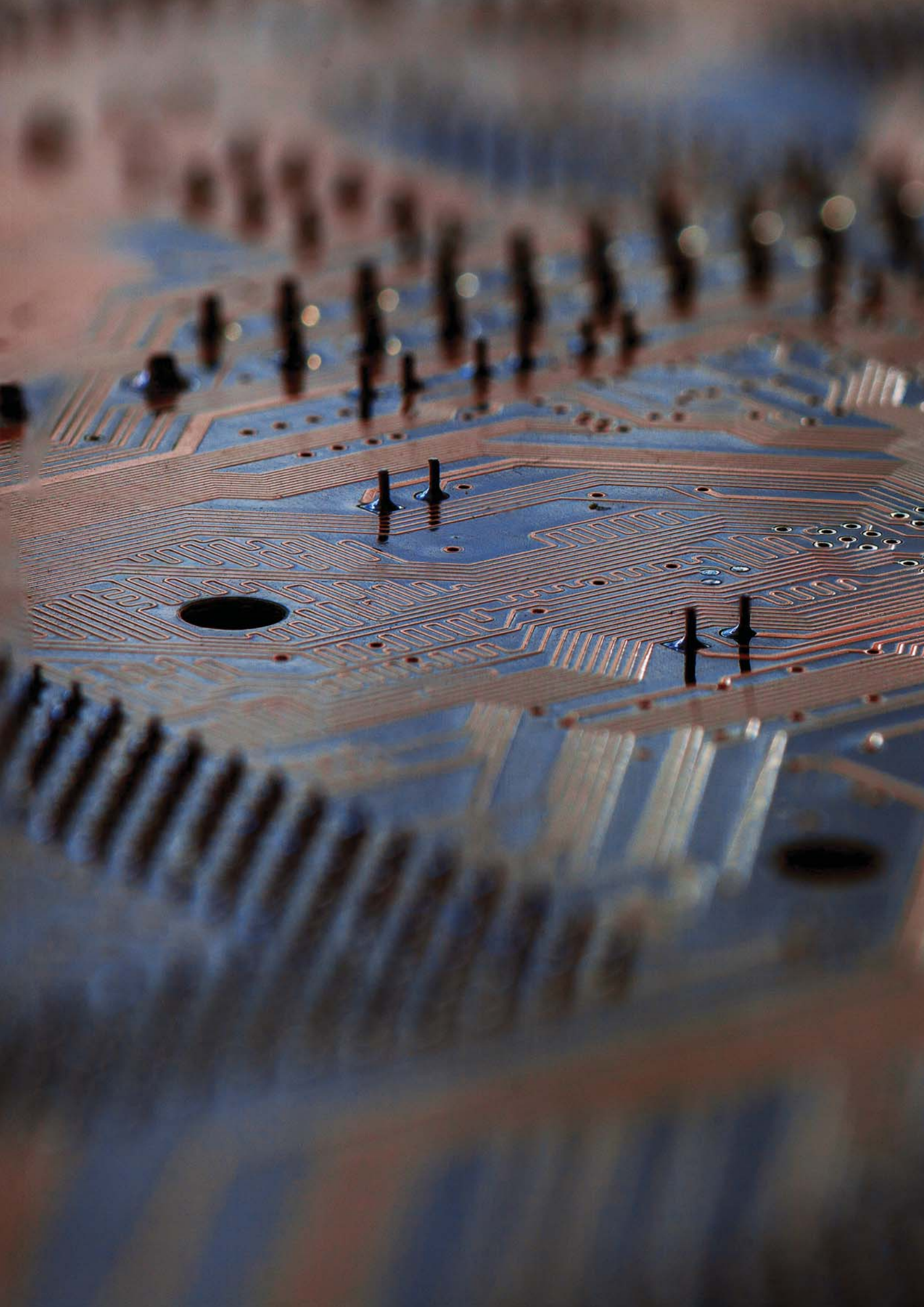
April 2015
Transport for London lists its debut green bond, raising £400 million, to improve sustainability of the London transport network

August 2015
IFC issues the first offshore Indian Rupee denominated green bond, raising INR 3.15 billion

October 2015
Agricultural Bank of China lists a $1 billion triple tranche, dual currency green bond, the largest green issue on London Stock Exchange's markets

June 2016
Axis Bank lists Asia's first certified green bond, raising $500 million. This is the first green bond by an Indian issuer to be listed on LSE and it's the largest green bond issued by a Scheduled Commercial Indian Bank.

August 2016
NTPC becomes the first-ever Indian quasi-sovereign to issue a Climate Bonds Certified green masala bond raising INR 20 billion.



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